

**MINUTES OF NOVEMBER 5, 2014 RETIREMENT BOARD
CITY OF ALEXANDRIA
FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN
INTERIM MEETING**

PRESENT

<u>Members</u>	<u>Others</u>
Jack Browand (Management, Alternate)	Barry Bryant, Dahab
Michael Cross, ² Secretary, (Fire)	Bryan Capelli, Retirement Specialist
Patrick Evans ¹ (Fire)	Kadira Coley, Acting Retirement Administrator
Tom Gates, ³ Chairman, (Management)	Arthur Lynch, Retirement Specialist
Jean Kelleher ² (Management)	Bill Mitchell, Acting Human Resources Director
Shirl Mammarella ³ (Police, Alternate)	Michael Stewart, Acting Deputy Director of Finance
Ed Milner ¹ (Police)	Sergey Zelensky, Retirement Specialist
Al Tierney ² (Police)	
Laura Triggs ³ (Management)	

Absent:

Nelsie Birch (Management)
Rick Muse ³ (Fire, Alternate)

Terms: 1/1/2014 – 12/31/2015

¹Purchase of Service Credit Committee

²Technical Corrections and Plan Document Review Committee

³Vendor & Service Provider

CALL TO ORDER

Mr. Gates called the meeting to order at 8:37 AM on Wednesday, November 5, 2014.

INTRODUCTIONS

Mr. Michael Stewart, Acting Deputy Director of Finance, was introduced to the Board.

MEETING RECORD – held until November 13, 2014 meeting.

ADMINISTRATOR’S REPORTS– held until November 13, 2014 meeting.

COMMITTEE REPORTS– held until November 13, 2014 meeting.

ASSET ALLOCATION STUDY

Mr. Bryant introduced the asset allocation study. He drew attention to the four pages of introduction at the beginning of the presentation booklet. Mr. Bryant explained the four types of risk (short-term, long-term, entity and unknown) that are detailed in the introduction. He discussed how each type of risk plays a part in asset allocation discussion and decisions.

Mr. Bryant discussed the measurement outputs of the model including the terminal value, mean return, standard deviation, and the Sharpe ratio.

Mr. Bryant noted that Dahab recommends using the 75% terminal value as the initial target allocation. Upon reviewing the 75% terminal value Mr. Bryant made a few modifications to the model as illustrated in lines 7-9. Mr. Bryant's recommended mix is line 9 (Mix 1 Modification C). He likes this mix because it maintains a similar return while decreasing risk by making an additional investment into real estate.

A trustee asked why mid cap is not split into growth and value. Mr. Bryant responded that he likes having one mid cap manager that can access the entire mid cap space rather than splitting the market between growth and value.

The fixed income market was discussed at length. Board members were reminded that the fund's investment in the PIMCO Total Return Fund is a core plus investment which means that in addition to domestic fixed income the fund also has exposure to international fixed income and high yield bonds. Mr. Bryant recommended the Board consider replacing the Total Return fund in exchange for a plain vanilla core fixed income investment.

Mr. Bryant discussed his point of view on Tactical Asset Allocation ("TAA"). He noted that he does not recommend TAA for this fund but does recommend the consideration of an allocation to the PIMCO All-Asset ("PAA") fund. He noted PAA invests in a variety of asset classes including international equities and fixed income. Currently PAA is focused in international fixed income. Mr. Bryant noted that he preferred an allocation to PAA over an allocation to international fixed income.

Board members expressed concerns about PAA because of PIMCO and because of how new the asset class is. A trustee asked if there is an alternative fund to PAA managed by someone other than PIMCO. Mr. Bryant noted that there are a number of manager in TAA but each has a different strategy and that he felt most confident in the PAA. He specifically noted a Blackrock fund but cautioned that fees were high and that the fund was pro-cyclical (good in good markets, bad in bad markets) which is opposite of what is being sought. Mr. Bryant noted that there was only a 10-year history for PAA and the remaining 10 years to give the 20-year history had to be artificially created.

The Board discussed high yield bonds. There was a consensus that there was not a desire to go into high yield bonds because of their correlation to the equity market.

There was a consensus by the Board to have Mr. Bryant run a few more scenarios. Specifically Dahab is to manipulate scenario 14 by splitting the 20% mid cap allocation between large and small cap. Members wanted to increase the investment to real estate to be 10% by taking 5% from domestic equities. Dahab is going to attempt to have the revised scenarios available for the November 13th due diligence meeting.

OLD BUSINESS

None.

NEW BUSINESS

HELPS Provision of PPA 2006

Mr. Cross sent an email to the board raising a concern about the new mandatory EFT process that retirees will be required to utilize for health and life insurance premiums and reimbursements. A copy of the letter sent to retirees on October 29th was distributed to board members.

A provision of PPA 2006 allows public safety officers to have a tax advantage on up to \$3,000 for medical premiums that are paid directly from a qualified retirement plan. Mr. Cross noted that by implementing this required EFT process that some public safety officers could miss out on this benefit.

There was a motion by Mr. Cross for:

The Firefighters and Police Officers Pension Board to recommend the City of Alexandria's Human Resource ("HR") office review the payment of insurance premiums.

Mr. Evans seconded the motion. The motion was unanimously approved (8 – 0).

Discussion: Board members recommended having HR speak with Veneble, the Plan's attorney, to ensure that no participants are hurt by the changes that are being implemented.

Mr. Bill Mitchell notified the board that HR is reviewing what could be allowed by under the PPA 2006 HELPS provision. He noted that he is working with Ms. Coley and the Pension Administration Division to compile information. Mr. Mitchell agreed to keep the board updated on progress regarding this concern.

NEXT MEETINGS

1. Thursday - November 13th at 8:30 AM, Sister Cities 1101, Due Diligence Meeting
2. Thursday – December 11th at 8:30 AM, Sister Cities 1101, Interim Meeting

ADJOURNMENT

The meeting adjourned at 10:00 AM.

HANDOUTS

Distributed to Board members:

Agenda
Dahab's Asset Allocation Study – November 2014
Asset Allocation Summary Chart
HELPS Act – EFT letter sent to Retirees & email from Mr. Cross